

The original documents are located in Box 22, folder “1975/01/04 S4206 Milk Price Support (vetoed)” of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

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POCKET VETO
(EFF. MIDNIGHT 1/4/75)
MEMO OF DISAPPROVAL ISSUED
1/3/75 (DATED) 1/3/75

THE WHITE HOUSE
WASHINGTON

ACTION

Last Day: January 4

January 1, 1975

MEMORANDUM FOR THE PRESIDENT
FROM: KEN COLE
SUBJECT: Enrolled Bill S. 4206
Milk Price Support

BACKGROUND

This bill would immediately establish, effective through March 31, 1976, the support price for milk at no less than 85 percent of the parity price. Current law requires the price to be maintained at no less than 80 percent.

The enrolled bill also contains a "sense of Congress" provision that the President should take action to limit the importation of meat and certain dairy products.

Currently, the price support has fallen to about 72 percent of parity due to the effects of inflation. Secretary Butz has the authority under existing law to raise this back up to 80 percent. The dairy industry states that it is in bad shape as the prices of some dairy products are below production costs.

ARGUMENTS FOR SIGNING

The dairy farmer is suffering very badly because of low prices, and an increase in the support price will provide some immediate relief.

There is considerable Congressional interest in this bill and it passed the House by a 205 to 58 vote and by a voice vote in the Senate. In addition, you have received communications supporting the bill from the following Representatives: Bud Shuster, Al Quie, John Murtha, Frank Denholm, Gene Taylor, Earl Landgrebe and John Anderson. Also writing in support have been Senators Milt Young and Bob Dole.

Dairy farmers strongly support this bill.



ARGUMENTS FOR POCKET VETO

Agriculture estimates that this bill will increase prices to the consumer by 6 cents for a gallon of milk and 12 cents for a pound of cheese. Furthermore, government purchases of dairy products would increase by \$400 million during the lifetime of this bill.

The bill is not necessary to maintain milk production levels (which have been increasing during the current low-price period) and although milk prices are low, farm prices of milk have been rising since mid-year and are expected to continue to rise, at least until next Spring.

STAFF AND AGENCY POSITIONS

The following recommend signature:

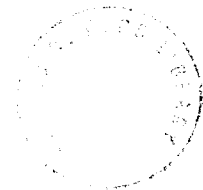
None

The following recommend pocket veto:

Roy Ash (see attached enrolled bill memo)
 Ken Cole
 Phil Areeda
 Alan Greenspan
 Bill Eberle
 Max Friedersdorf
 Department of Agriculture
 Department of State
 Council of Economic Advisers

DECISION - S. 4206

Sign (Tab A) _____ Veto _____
 (Sign Memorandum of Disapproval
 at Tab B approved by Paul Theis)





EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEC 28 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 4206 - Milk price support
Sponsor - Sen. Humphrey (D) Minnesota and 6 others

Last Day for Action

January 4, 1975 - Saturday

Purpose

Establishes through March 31, 1976 the support price for milk at not less than 85 percent of parity.

Agency Recommendations

Office of Management and Budget	Disapproval
Department of Agriculture	Disapproval (Memorandum of Disapproval Attached)
Department of State	Disapproval
Council of Economic Advisers	Disapproval
Office of the Special Representative for Trade Negotiations	Disapproval
Council on International Economic Policy	Disapproval (Informally)

Discussion

Under present law of temporary duration, the Department of Agriculture is required to support the price of milk at not less than 80 percent of the parity price (that price for a given amount of a farm commodity which will pay for as much in production terms, interest, taxes, etc., as the



same amount of this commodity paid for in the period from 1909 to 1914). On March 31, 1975, the 80 percent floor provision expires and the support price for milk will then decrease to not less than 75 percent of the parity price.

S. 4206 would establish, effective upon enactment and through March 31, 1976, the support price for milk at not less than 85 percent of the parity price. It would also express the "sense of Congress" that the President should take action to limit the importation of meat and certain dairy products.

Agriculture has reported to the Congress that it is strongly opposed to any legislation that would increase the support price for milk because such increases would be highly inflationary and are not necessary to assure adequate milk supplies. Executive Branch agencies did not have an opportunity to report on the "sense of Congress" language, which was added at the last minute to the bill.

In its report on S. 4206, the Senate Agriculture Committee maintained that dairy farmers are being forced out of the business by a "devastating cost-price squeeze" and the Committee concluded that:

"A healthy, viable dairy industry is essential to this Nation's economy. This legislation is necessary to assure continuous and adequate production of milk and to provide reasonable returns to producers. It is also critical that immediate action be taken. Once the herds are liquidated, it will be years before full production can again be achieved."

The bill passed by 205-58 in the House and by a voice vote in the Senate.

In their views letters on the enrolled bill, Agriculture, State, CIEP, CEA, and STR all recommend your disapproval of S. 4206.



Agriculture estimates that the enrolled bill would increase prices to the consumer by 6 cents and 12 cents for a half gallon of milk and a pound of cheese, respectively. Furthermore, it counters the production loss claim by noting that in each of the last 4 months milk production has been above the levels of a year earlier. However, as a consequence of the recent record-high prices for dairy products the public is consuming significantly less fluid milk while the Federal Government through the Commodity Credit Corporation has already this year (to end in April 1975) purchased about 241 million pounds of dairy products. Agriculture concludes that:

"...the higher prices which would be required by S. 4206 are clearly unnecessary and undesirable. CCC's purchases and costs at the higher support levels would be intolerable. In fact, we believe under S. 4206 CCC's costs would be four times what they would be at the minimum level, and would total over \$400 million."

(Minimum level refers to the 80 and 75 percent price support levels referred to earlier that will remain in effect if S. 4206 is disapproved.)

* * * * *

We concur with Agriculture's analysis and with the veto recommendation of the several agencies. S. 4206 would lead to further and highly visible inflation in the food sector and would involve significant increases in the budget as Agriculture states above. We also note that the "sense of Congress" provisions which seek to limit meat and dairy imports are not legally binding, but do represent undesirable pressure on the President to act on issues which will be dealt with soon under existing statutory guidelines concerning the regulation of meat and dairy imports.

Paul H. Quinn
for Director



Enclosures

COUNCIL ON INTERNATIONAL ECONOMIC POLICY

WASHINGTON, D.C. 20500

JAN 2 1975

MEMORANDUM FOR

W.H. Rommel
Assistant Director
for Legislative Reference
Office of Management and Budget

FROM: W.D. Eberle *WDE*
Executive Director

SUBJECT: CIEP Recommendations on Enrolled
Bill S 4206

CIEP recommends that S 4206 (to provide price support for milk at not less than 85 per centum of the parity price thereof, and for other purposes) be vetoed by the President.

CIEP opposes this legislation for the following reasons:

- 1). Increasing price supports for milk at this time would further contribute to inflation, and especially to food prices which are increasing at record rates.
- 2). Since USDA is currently purchasing milk to support prices at the existing parity levels, higher parity prices would result in additional stock accumulations and higher budgetary outlays.
- 3). Sec. 2. (a) of the Act (restricting imports of certain meats and dairy products) would limit the President's flexibility in negotiating for freer trade in agricultural products.





DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

December 24, 1974

Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. Ash:

In reply to the request of your office, the following report is submitted on the enrolled enactment of S.4206, "To provide price support for milk at not less than 85 percentum of the parity price therefor, and for other purposes."

The Department recommends that the President not approve the bill.

The bill would require an immediate increase of \$1.12 per hundred-weight in the support price for milk (from the present support of \$6.57 to \$7.69). It would require another increase next April 1 of approximately 36 cents to a level of \$8.05 and three additional upward adjustments on a quarterly basis thereafter during the 1975-76 marketing year, the size of the increases dependent upon increases in the parity index and the parity price for milk.

Such large increases in milk prices to producers are not necessary to assure adequate milk supplies and would be highly inflationary to consumers. The initial increase alone would raise fluid milk prices to consumers by about 6 cents per half gallon of milk and would require raising CCC's purchase price for cheese, and subsequently market prices, 11 or 12 cents per pound. Correspondingly large increases in the support purchase prices for butter and nonfat dry milk also would be required to carry out the higher support price for milk.

With milk production already above a year earlier in each of the last four consecutive months, with fluid milk consumption down significantly as a result of record-high market prices several months ago, with commercial stocks of manufactured dairy products at near record levels, with market prices of butter, cheese, and nonfat dry milk at present support levels and CCC purchases of those products so far this year totaling 31 million pounds, 67 million,

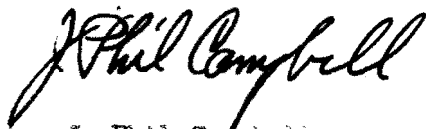


Honorable Roy L. Ash

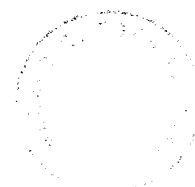
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and 241 million pounds respectively, the higher prices which would be required by S.4206 are clearly unnecessary and undesirable. CCC's purchases and costs at the higher support levels would be intolerable. In fact, we believe under S.4206 CCC's costs would be four times what they would be at the minimum level, and would total over \$400 million.

Sincerely,



J. Phil Campbell
Acting Secretary





DEPARTMENT OF STATE

Washington, D.C. 20520

Honorable Roy L. Ash
Director, Office of
Management and Budget
Washington, D. C. 20503

December 26, 1974

Dear Mr. Ash:

I am responding to your communication (Office of Management and Budget Memorandum, dated December 23, and signed by Mr. Rommel) requesting our views and recommendations on S. 4206, an enrolled bill to provide price support for milk at not less than 85 per centum of the parity price therefor, and for other purposes.

The Department of State opposes this bill and recommends that the President not sign it into law. Establishing a support price for milk at not less than 85 percent of parity (it is currently set at 80 percent of parity) would increase the prices of dairy products at a time when consumer resistance is already high. The higher prices would only accelerate the current downward trend in consumption of dairy products. Moreover, higher support levels would spur production, resulting in a glut on the market which would have to be removed by the Federal Government at the taxpayer's expense without commensurate benefits to the nation's dairy farmers.

With respect to the bill's statement of the "sense of the Congress" regarding meat imports, by the time Administration views on this legislation are communicated to the Congress, we expect that the President will have announced his decision on the 1975 Meat Import Program. We assume OMB's comments will reflect the substance of the President's decision.

The bill also expresses the sense of Congress that the President, with the concurrence of the Secretary of Agriculture, issue a proclamation stating that import quotas on butter, butter oil, cheddar cheese, and nonfat dry milk, as authorized under Section 22 of the Agricultural Adjustment Act of 1933, not be increased above the levels prevailing as of June 1, 1971. Dairy imports are regulated in conformance with the requirements established by Section 22. We have always understood that decisions regarding quota



levels should flow from the criteria set forth in the law; that is, the volume of imports should be restricted to levels at which imports do not render ineffective or tend to render ineffective or materially interfere with the domestic program. Should the President sign the proclamation desired by the Congress the quota levels would be frozen without regard to the criteria provided for by law.

Dairy imports have been at their normal quota levels since April 30, 1974, and we understand that the Department of Agriculture does not contemplate any change in these levels in the foreseeable future. Freezing the levels by Presidential proclamation, however, would have adverse international repercussions. When we obtained the waiver in 1955 from the other Contracting Parties to the General Agreement on Tariffs and Trade which released us from our international obligations with respect to actions taken under Section 22, we stated "it is the intention of the United States Government promptly to terminate any restrictions imposed when it finds that circumstances requiring the action no longer exist and to modify restrictions whenever changed circumstances warrant such modification." Freezing the quota levels indefinitely by Presidential proclamation would encourage those foreign suppliers affected to retaliate by restricting imports of U.S. products. Our trading partners, when they granted the waiver, reserved the right to retaliate.

Finally, the Congress has just provided the Administration with the Trade Reform Bill. The legislative history of the bill shows that the Administration assured the Congress that protection for our own dairy industry would not be the subject of negotiation unless our major competitors were willing to negotiate on reform of their dairy policies. Freezing the quota levels, however, would preclude any negotiations on dairy, thus depriving the Administration of an opportunity to begin the difficult task of rationalizing world dairy production and trade.

Cordially,



Linwood Holton
Assistant Secretary for
Congressional Relations



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

December 27, 1974

Honorable Roy Ash
Director
Office of Management and Budget

Dear Mr. Ash:

In response to the request of your office, this supplements our report on the enrolled enactment of S. 4206, "To provide price support for milk at not less than 85 percentum of the parity price therefor, and for other purposes," and is addressed to the sense of Congress provisions of Section 2.

Section 2(a) provides that "It is the sense of the Congress that the President shall take appropriate action to limit the quantity of meat imports to an amount equal to the adjusted base quantity estimate for the current calendar year pursuant to section 2(b) of the Act of August 22, 1964." The question of the meat import program for 1975 is now before the President and we believe that the decision should follow from the results of such consideration, and not as a result of the provisions of Section 2(a).


Section 2(b) provides that "It is further the sense of the Congress that the President, with the concurrence of the Secretary of Agriculture, issue a proclamation stating that import quotas on butter, butter oil, cheddar cheese, and nonfat dry milk, as authorized under section 22 of the Agricultural Adjustment Act of 1933, not be increased above the levels prevailing as of June 1, 1971." The effect of such action would be to freeze the quotas indefinitely -- that is to say, permanently -- at June 1, 1971 levels. The Department does not recommend such action.

Under the Section 22 authority, import quotas may be imposed only to the extent the President finds them "to be necessary in order that the entry of such article or articles will not render or tend to render ineffective, or materially interfere with" certain price support and stabilization programs undertaken by the Department of Agriculture. Subsection (d) of Section 22 provides, in the case of changed circumstances, for the modification, suspension, or termination of action previously taken imposing import restrictions.



In initially setting or in changing the level of permitted imports of dairy products under Section 22, the sole criterion is whether such limitations are necessary to protect the Department of Agriculture's price support program for milk, which is carried out through the purchases of cheese, butter and nonfat dry milk. There would no longer be justification for maintenance of the quotas on imports of butter, butter oil, cheddar cheese and nonfat dry milk at the levels prevailing on June 1, 1971, if circumstances should so change that the quotas were no longer needed to prevent material interference with the price support program. Accordingly, any proclamation fixing rigid import quota levels not subject to modification or termination in the event of changed circumstances would not be consistent with the purpose of Section 22.

Sincerely,


CLAYTON YEUTTER
Acting Secretary



THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

Mr. Wilfred H. Rommel
Assistant Director
Office of Management and Budget
Washington, D. C.

December 27, 1974

Dear Mr. Rommel:

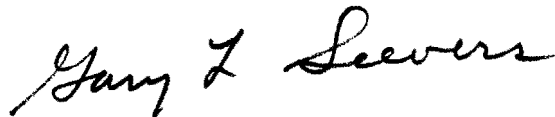
This is in response to your request for the Council's views on enrolled bill S. 4206, the main provision of which is to raise the support price of milk to 85 percent of parity through March 1976.

The Council opposes this bill on various counts. First, it will raise the price of milk and milk products to consumers at a time when the Administration still gives high priority to reducing inflation. Second, this increase in price of an important food item imposes hardships on low income groups that are already suffering from unemployment and declining real wages. Third, farm prices of milk have been rising since midyear, with the October price of \$8.21 per 100 pounds being 64 cents above the level in July. Moreover, they are expected to continue to rise at least until pastures improve with the coming of Spring.

It is true that the dairy industry has suffered a great deal of stress this past year, in part because of the increase in feed costs. However, we believe most of the adjustment to these adverse conditions is behind us. Grain prices have been declining in recent weeks. Raising the support price of milk to 85 percent of parity would increase the demand for feedgrains at a time when feedgrain supplies are still tight. Moreover, it would very likely lead to excess production, thereby leading to government expenditures to support the price.

I recommend that the President veto this legislation.

Sincerely yours,



Gary L. Seevers
Acting Chairman



OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

EXECUTIVE OFFICE OF THE PRESIDENT

WASHINGTON

20506

MEMORANDUM

December 24, 1974

TO: Mr. W. H. Rommel
Assistant Director
for Legislative Reference

FROM: H. C. Williams

SUBJECT: Enrolled Bills - S.4206 - H.R. 11273 - H.R.2933

(1) S.4206. The President should veto this bill. This bill would raise milk to 85% of parity (currently about \$7.69) 17 percent above the current level of support. This level, mandatory through March 31, 1976, would be adjusted at the beginning of each quarter beginning April 1, 1975. This level should greatly stimulate production, especially beginning in the last half of 1975 when feed supplies increase, and feeding of other types of livestock will have diminished resulting in more reasonable feed prices. (The immediate effect would be to place upward pressure on feed grains and feedstuffs). This would probably require increased governmental purchases of dairy products, and would also result in higher consumer prices. Pressure for tightened import restrictions would also ensue.

(2) H.R. 11273. We do not have strong views on this bill. It is our understanding that this bill would simply add noxious weeds to the materials currently covered by APHIS.

(3) H.R. 2933. The President should veto this bill. The U.S. has granted a duty concession to Turkey and the United Kingdom and bound this duty in the GATT on this product. This bill could be viewed as a new non-tariff barrier which will nullify or impair the concession granted. This could open us up to retaliation or requests for compensation.

W. H. Rommel
for HCU



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 885

Date: December 28, 1974

Time: 7:00 p.m.

FOR ACTION: ~~Mike Duval~~
Max Friedersdorf
NSC/S
Phil Areeda
Paul Theis

cc (for information): Warren Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Monday, December 30

Time: 1:00 p.m.

SUBJECT:

Enrolled Bill S. 4206 - Milk Price Support

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

Pocahontas - Mike Duval



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
for the President

MEMORANDUM OF DISAPPROVAL

I am withholding my approval from S. 4206, entitled "An act to provide price support for milk at not less than 85 percentum of the parity price therefore, and for other purposes."

This bill would require an immediate increase of \$1.12 per hundredweight in the support price for milk, to a record-high \$7.69. Thereafter, through March 31, 1976, further upward adjustments would be required every three months as necessary to reflect changes in the parity index and parity price for milk.

Such large increases in milk prices to producers are not necessary to assure adequate milk supplies and would be highly inflationary to consumers. The initial increase alone would raise fluid milk prices to consumers by about 6 cents per half gallon of milk and would require raising CCC's purchase price for cheese, and subsequently market prices, 11 or 12 cents per pound. Correspondingly large increases in the support purchase prices for butter and nonfat dry milk also would be required to carry out the higher support price for milk.

These significantly higher prices would be inconsistent with the Administration's continued and concerted efforts to combat inflation and its serious effects on the Nation's economy. Moreover, such prices would ultimately be damaging to the dairy industry and milk producers.

Milk consumption is on a declining trend. Consumers are resisting the prices that they must now pay for milk and other dairy products. To artificially force prices still higher, as this legislation would do, would result in further declines in consumption and would be a strong stimulus to excess milk production.

To deliberately further dampen the demand for milk and dairy products by the increased prices provided by this legislation would thus be detrimental to the dairy industry. A dairy farmer cannot be well served by Government action that prices his product out of the market. And it would surely also be to the detriment of the ^{general taxpayer} Government ~~which~~ ^{became the government} would be required to buy the large surpluses of manufactured dairy products ~~which this legislation would generate,~~ at a cost of over \$400 million during the life of the bill.

It is clearly in the best interests of producers, consumers, and the Government that this legislation not be signed into law.

THE WHITE HOUSE

January , 1975



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 885

Date: December 28, 1974

Time: 7:00 p.m.

FOR ACTION: Norm Ross
Max Friedersdorf?
NSC/S no interest
Phil Areeda veto
Paul Theis ✓

cc (for information): Warren Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Monday, December 30

Time: 1:00 p.m.

SUBJECT:

Enrolled Bill H. 4206 - Milk Price Support

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

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K. R. COLE, JR.
For the President

THE WHITE HOUSE

WASHINGTON

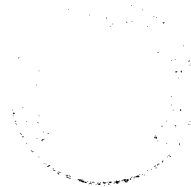
December 30, 1974

MEMORANDUM FOR: WARREN HENDRIKS
FROM: VERN LOEN VL
SUBJECT: Action Memorandum - Log No. 885

We have had intense pressure from numerous farm-state MC's on this. Apparently, dairy farmers are really hurting in that inflation has shrunken their 80% to 73%. If in fact Secretary Butz plans to increase support level back to 80%, should not the veto message mention that fact? It would really take the sting out of it for dairy farmers and their representatives, particularly since the President is vetoing REAP bill.

Seidman has suggested language from USDA.

Attachments



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 885

Date: December 28, 1974

Time: 7:00 p.m.

FOR ACTION: Norm Ross
Max Friedersdorf
NSC/S
Phil Areeda
Paul Theis

cc (for information): Warren Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Monday, December 30

Time: 1:00 p.m.

SUBJECT:

Enrolled Bill S. 4206 - Milk Price Support

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

Veto p Areeda



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Warren K. Hendriks
for the President

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To deliberately further dampen the demand for milk and dairy products by the increased prices provided by this legislation would thus be detrimental to the dairy industry. A dairy farmer cannot be well served by Government action that prices his product out of the market. And it would surely also be to the detriment of the Government which would be required to buy the large surpluses of manufactured dairy products which this legislation would generate, at a cost of over \$400 million during the life of the bill.

It is clearly in the best interests of producers, consumers, and the Government that this legislation not be signed into law.

THE WHITE HOUSE

January , 1975



WPIR ASST QG

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WHITE HOUSE

WHITE HOUSE
SITUATION ROOM

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SCOTT WSH

2781 WASHINGTON, D.C. DECEMBER 27, 1974

TWX 7108229226

MR. WILLIAM SEIDMAN

ASSISTANT TO THE PRESIDENT FOR
ECONOMIC AFFAIRS

THE WHITE HOUSE

WASHINGTON, D.C

DEAR BILL:

I AM WRITING TO URGE THAT THE PRESIDENT SIGN S.4206,
THE MILK SUPPORT BILL.

IN VIEW OF THE RECENT DECISION BY SECRETARY PUTZ TO
DENY AN INCREASE IN FLUID MILK PRICES, THIS LEGISLATION
IS REQUIRED TO SAVE OUR DAIRY INDUSTRY FROM COLLAPSE.
THE SITUATION IS CRITICAL BECAUSE DAIRY FARMERS ARE
LOSING MONEY AS THE RESULT OF SKYROCKETING GRAIN PRICES
AND OTHER COSTS WHICH THEY CANNOT CONTROL. THE RESULT
OF OUR INACTION MAY BE TO DEPRIVE THE AMERICAN CONSUMER
OF QUALITY MILK AT ANY PRICE.

YOUR FULL CONSIDERATION OF THIS MATTER IS APPRECIATED.

SINCERELY,

RUSH SCOTT
UNITED STATES SENATOR



WHITE HOUSE

SCOTT WSH

X

*Friedersdorf has taken
care of this - per John Patchford 1/3/75 (5pm)*

THE WHITE HOUSE



WASHINGTON

Dec. 30

Dairy farmers have been calling from Utah, especially, and New York State, Wisconsin asking that the White House support the S. 4026 fluid milk bill. This is a very important industry to the economy of our Nation and if the dairy farmers do not get an increase in milk parity, many, many dairy farmers will lose their business. As a result, consumers will have to pay more for milk; grain farmers are going to have difficulty selling grains; and many other dairy products will be high - and more unemployed people.

They also suggest that if the bill is not signed; then to cut out the importation of dairy products. The import of dairy products has cut into their products very heavily. At least with the foreign market out of the way, they feel they have a better chance of survival and get a fair price for their dairy product. But this is a very serious and critical time for them. They find it difficult to hold on even at this time.

Phyllis



For the past week we have been getting calls from dairy farmers telling us of their plight. Many are just holding on, hoping that some relief will be in sight. also, this kind of industry requires the farmer to work seven days a week, every day of the year, so it is not an easy job, for what little return they derive from selling the products.

THE WHITE HOUSE

WASHINGTON

December 30, 1974

MEMORANDUM FOR:

WARREN HENDRIKS

FROM:

VERN LOEN *VL*

SUBJECT:

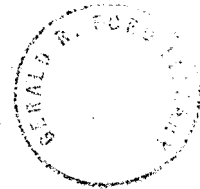
Action Memorandum - Log No. 885

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Seidman has suggested language from USDA.

Attachments



December 21, 1974

Dubal

Dear Bud:

This is just a note to acknowledge receipt of your letter to the President of today's date urging that he approve the ~~Wairy Bill~~ (S-4206).

I do want to assure you that your message has been conveyed to the President.

With kindest regards.

Sincerely,

Max L. Friedersdorf
Deputy Assistant to
the President

Honorable E. G. Shuster
House of Representatives
Washington, D. C. 20515

MLF:nk

bcc: Ken Cole w/incoming for further action.



E. G. SHUSTER
9TH DISTRICT, PENNSYLVANIA



1116 LONGWORTH HOUSE OFFICE BUILDING
202/225-2431

Congress of the United States
House of Representatives
Washington, D.C. 20515

December 21, 1974

The President
The White House
Washington, D.C.

Hand Deliver

Dear Mr. President:

I respectfully urge you to sign the Dairy Bill (S. 4206).

The evidence is overwhelming that:

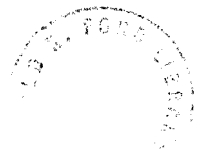
- (a) Dairy farmers are receiving a lower price in 1974 than in 1973;
- (b) Their costs of production have increased approximately 20 percent;
- (c) They cannot survive for many more months. Their plight is desperate!

As many as 30 percent of America's dairy farmers may go out of business and if that happens a severe milk shortage is inevitable. The consumer will suffer and properly blame the Government for short-sighted policies.

As important as the above reasons are, there is an even more important reason for approving the Dairy Bill:

The dairy farmers and their rural neighbors are losing faith in the essential fairness of our Government.

They feel betrayed by a Government which has been knee-deep in regulating agriculture but now says "sink or swim in the marketplace" as it watches them sink.



Page Two

These farm families, who work seven days a week through sun up and sun down, are among the most decent and dedicated citizens of our nation.

They stare in stunned disbelief at a Government which will not permit them a price increase of 67 cents/cw or one cent per quart (the effect of increasing parity to 85 percent) when the evidence vividly portrays their plight.

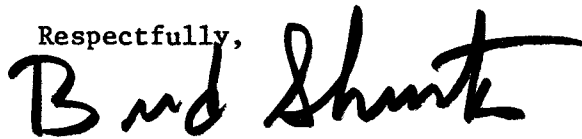
They watch throughout 1974 as:

- * Federal workers get 5.4 percent increase;
- * Construction workers get 10.8 percent increase;
- * Manufacturing workers get 8.5 percent increase;
- * Service employees get 10.2 percent increase;
- * Mine workers get 64 percent increase;
- * Workers displaced by the Trade Bill get 70 percent of wages;
- * Over \$2 billion is provided to make work for 300,000 unemployed, while a small fraction of that amount is not provided to help 300,000 dairy farmers produce a vital commodity;
- * U.S. Steel gets 23 percent in price increases (per the Council on Wage and Price Stability);
- * Oil company profits skyrocket;
- * Etc., etc., etc.;

and they are deeply and profoundly shaken.

Mr. President, we must not turn our backs on these solid Americans. When their faith is gone, whose will be left? I beg you to see the merit of their case and act in the long term best interests of America.

Respectfully,



Bud Shuster
MEMBER OF CONGRESS

EGS:ame

Congress of the United States

House of Representatives

Washington, D.C. 20515

OFFICIAL BUSINESS

E. R. "Bud" Shuster
M.C.

The President
The White House
Washington, D.C.

Hand Deliver

December 24, 1974

Dear Al:

This will acknowledge receipt of your letter to the President of December 23 urging that he approve S. 4266, the Milk Price Support bill.

Please be assured that I will call your message to the President's attention without delay.

Sincerely,

Max L. Friedersdorf
Deputy Assistant
to the President

The Honorable Albert H. Quie
House of Representatives
Washington, D.C. 20515



~~cc:~~ w/incoming to Ken Cole for further handling

MLF:VO:vo

12-24

14

ALBERT H. QUIE
1ST DISTRICT, MINNESOTA

COMMITTEE:
EDUCATION AND LABOR

WASHINGTON OFFICE:
2182 RAYBURN HOUSE OFFICE BUILDING
202-225-2271

Congress of the United States
House of Representatives
Washington, D.C. 20515

COUNTIES:
DAKOTA RICE
DODGE STEELE
FILLMORE WABASHA
GOODHUE WASHINGTON
HOUSTON WINONA
OLMSTED

ROCHESTER OFFICE:
436 FIRST NATIONAL BANK BUILDING
507-288-2384

FORT SNELLING OFFICE:
520 FEDERAL BUILDING
612-725-3680

December 23, 1974

BT

The Honorable Gerald R. Ford
The President
The White House

Dear Mr. President:

As you know, the House and Senate have both passed a bill increasing price supports for dairy products to 85% of parity with a quarterly readjustment of supports.

Dairy farmers in this nation are in dire straits. As I have pointed out many times, if something is not done to encourage them to stay in business, supplies next year will be way down and the price to the consumer will be far greater than the increase in price resulting from the bill which has been sent to you.

I commend you for all the tremendous work you have done but I might point out that when Congress passed, with administration backing, an appropriation bill for an additional \$4 billion for the unemployed, this increase for the dairy farmers is needed. The dairy farmer is not just in the same position as the unemployed; he actually has been losing money.

I urge that you sign this bill.

Respectfully yours,

ALBERT H. QUIE
Member of Congress

AHQ/mcb



December 24, 1974

Dear Senator:

I wish to acknowledge receipt of your telegram of December 23 to the President urging that he sign S. 4206, the Milk Price Support bill.

You may be assured your views on this legislation will be called to the President's attention without delay.

With warm regards,

Sincerely,

Patrick E. O'Donnell
Special Assistant
to the President

The Honorable Milton Young
United States Senate
Washington, D.C. 20510

~~Acc:~~ w/incoming to Ken Cole for further handling

PO:VO:vo



12-24

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The White House
Washington

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BT

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PMS THE PRESIDENT

WHITE HOUSE DC

I STRONGLY URGE YOU TO SIGN S. 4206 TO KEEP OUR DAIRYMEN IN
BUSINESS. WITHOUT THIS INCREASED PRICE SUPPORT ON MILK, DAIRYMEN WILL
GO BROKE AND IN THE LONG RUN CONSUMERS WILL BE HURT BY HAVING TO PAY
EXCESSIVE PRICES FOR THE SHORT SUPPLY OF MILK

MILT YOUNG UNITED STATES SENATOR

NNNN



December 24, 1974

Dear Senator:

I wish to acknowledge receipt of your telegram to the President of December 23 urging that he sign S. 4206, the Milk Price Support bill.

You may be assured your comments on this legislation will be called to the President's attention without delay.

With warm regards,

Sincerely,

Patrick E. O'Donnell
Special Assistant
to the President

The Honorable Bob Dole
United States Senate
Washington, D.C. 20510



~~Acc:~~ w/incoming to Ken Cole for further handling

PO:VO:vo

12-24
The White House
Washington

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PMS THE PRESIDENT

THE WHITE HOUSE

WASHINGTON DC

RESPECTFULLY RECOMMEND THAT YOU PROMPTLY SIGN S.4206 INTO LAW. THE BILL PROVIDES THE ASSURANCE OUR DAIRY FARMERS NEED TO CONTINUE IN BUSINESS. OVER 13,000 QUIT DAIRYING DURING 1974. UNLESS THOSE REMAINING ARE PROVIDED THE SUPPORT PRICE THIS BILL PROVIDES FOR ONE YEAR, OUR CONSUMERS MAY FACE A SHORTAGE OF MILK AND RESULTANT HIGHER PRICES. THE SENATE AGRICULTURE COMMITTEE HAS ALREADY PLANNED EXTENSIVE HEARINGS FROM WHICH TO REVISE FARM PROGRAMS EARLY NEXT YEAR. YOUR APPROVAL OF THIS BILL WILL GIVE POSITIVE EMPHASIS TO REALISTIC COOPERATION ON FARM LEGISLATION BETWEEN THE EXECUTIVE AND THE CONGRESS.

U.S. GOVERNMENT PRINTING OFFICE: 1974 O-280-880

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SINCERELY YOURS,
BOB DOLE
UNITED STATES SENATE

NNNN



December 26, 1974

Dear Paul:

This will acknowledge receipt of your December 21 letter to the President urging that he veto S. 4206, the Milk Price Support bill.

Please be assured your letter will be called to the President's attention without delay.

With warm regards,

Sincerely,

Vernon C. Loen
Special Assistant
to the President

The Honorable Paul Findley
House of Representatives
Washington, D.C. 20515

~~cc:~~ w/incoming to Ken Cole for appropriate handling

VCL:VO:vo



Congress of the United States
House of Representatives
Washington, D. C.

December 21, 1974

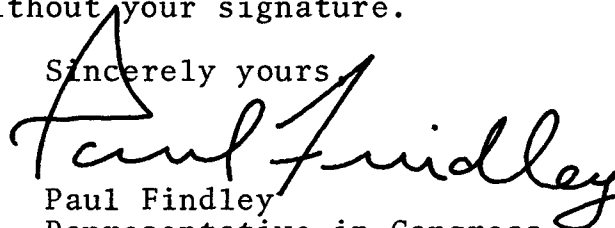
BT
The Honorable Gerald R. Ford
The President
The White House
Washington, D.C.

Dear Mr. President:

May I earnestly suggest that you let the bill to increase dairy supports to 85 percent of parity die without your signature. This bill would establish parity for dairy products far out of line with any other commodity, causing a substantial increase in government costs. It will also very clearly push consumer prices for dairy products still higher.

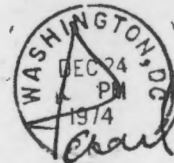
I write in the high hopes that you will see fit to let this unfortunate bill die without your signature.

Sincerely yours,


Paul Findley
Representative in Congress

Congress of the United States
House of Representatives
Washington, D.C. 20515

OFFICIAL BUSINESS



Fordley
M.C.

The Honorable Gerald R. Ford
The President
The White House
Washington, D.C.

December 24, 1974

Dear Mr. Murtha:

This will acknowledge receipt of your letter to the President of December 23 urging that he approve S. 4206, the Milk Price Support bill.

Please be assured that I will call your message to the President's attention without delay.

Sincerely,

Max L. Friedersdorf
Deputy Assistant
to the President

The Honorable John P. Murtha
House of Representatives
Washington, D.C. 20515

~~cc:~~ w/incoming to Ken Cole for further handling

MLF:VO:vo



Congress of the United States

House of Representatives

Washington, D.C. 20515

December 23, 1974

The President of the United States
The White House
Washington, D. C. 20500

Dear Mr. President:

BT
On Friday, December 20th, the House of Representatives joined with the Senate in passing S. 4206 to provide price support for milk at not less than 85% of the parity price.

This bill resulted from the combined efforts of many representatives and senators, and I was proud to have worked for its passage on behalf of many dairy farmers in the 12th Congressional District of Pennsylvania. Congressman Ed Jones of Tennessee is to be particularly congratulated for his hard work on behalf of this bill.

I will not go into detail on the many reasons for this bill, because I know you are well aware of the debate that has surrounded the milk price question. I would like, however, to strongly urge you to sign this bill into law to help our hard-pressed dairy industry.

I know you will give this measure your usual, careful consideration. I hope that will result in your signature on S. 4206. I know such action would be greatly appreciated by this nation's dairy farmers.

Thank you very much for your consideration.

Sincerely,



JOHN P. MURTHA
Member of Congress

JPM/wm

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C. 20515

PUBLIC DOCUMENT

OFFICIAL BUSINESS

John P. Murtha M.C.

The President of the United States
The White House
Washington, D. C. 20500

December 24, 1974

Dear Frank:

This will acknowledge receipt of your letter to the President of December 23 urging that he approve S. 4206, the Milk Price Support bill.

Please be assured that I will call your message to the President's attention without delay.

Sincerely,

Max L. Friedersdorf
Deputy Assistant
to the President



The Honorable Frank E. Donohoe
House of Representatives
Washington, D.C. 20515

~~Act:~~ w/incoming to Ken Cole for further handling

MLF:VO:vo

14

FRANK E. DENHOLM
1st DISTRICT, SOUTH DAKOTA

12-24
COMMITTEE ON AGRICULTURE

OFFICE ADDRESS:
1321 HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-2801

SUBCOMMITTEES:
LIVESTOCK AND GRAINS
DOMESTIC MARKETING AND
CONSUMER RELATIONS
DEPARTMENT OPERATIONS

DISTRICT FIELD OFFICES:
418 FOURTH STREET
BROOKINGS, SOUTH DAKOTA 57006
TELEPHONE: (605) 692-4572

Congress of the United States
House of Representatives
Washington, D.C. 20515

ADMINISTRATIVE ASSISTANT
MR. ARTHUR O. ANDERSON

400 SOUTH PHILLIPS AVENUE
SIOUX FALLS, SOUTH DAKOTA 57102
TELEPHONE: (605) 336-2980

December 23, 1974

Honorable Gerald R. Ford, President
United States of America
The White House
Washington, D.C. 20500

BT

Re: S. 4206

Dear Mr. President:

Legislation to provide the price support for milk at not less than 85 percent of parity was approved overwhelmingly by the Congress on the 20th day of December, 1974 and is pending your consideration and signature.

I respectfully request your support and approval of the above referenced legislation that is essential to preclude the bankruptcy of thousands of dairy producers throughout the nation. I am certain you are aware that a substantial reduction in the number of producers will result in higher prices to the consumers with a direct contribution to the inflationary rate in the economy.

The costs of production in the dairy industry continue to increase and unless an equitable price is assured to the producers they will have no alternative but to disburse their herds of dairy cattle and cease operation. I urge you to sign the legislation into law accordingly.

Thank you very much.

Sincerely,


FRANK E. DENHOLM, M.C.

FED/O/dc
(2)

Congress of the United States
House of Representatives
Washington, D.C. 20515

OFFICIAL BUSINESS

Frank E. Denholm
M.C.

Honorable Gerald R. Ford, President
United States of America
The White House
Washington, D.C. 20500

December 28, 1974

Dear Gene:

This will acknowledge receipt of your telegram to the President of December 24 urging that he approve S. 4206, the Milk Price Support bill.

Please be assured that I will call your message to the President's attention without delay.

Sincerely,

Max L. Friedersdorf
Deputy Assistant
to the President



The Honorable Gene Taylor
House of Representatives
Washington, D.C. 20515

cc: w/incoming to Ken Cole for further handling

MLF:VO:vo

12-24

The White House
Washington

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PMS HON GERALD FORD

WHITE HOUSE DC

DEAR MR PRESIDENT:

IN BEHALF OF THE DAIRY FARMERS OF THE UNITED STATES I URGENTLY
REQUEST THAT YOU NOT VETO S. 4206, LEGISLATION ENACTED BY THE
CONGRESS TO SUPPORT THE PRICE OF MILK AT NOT LESS THAN 85 PERCENT
OF PARITY.

THE DAIRY FARMERS OF THE SEVENTH CONGRESSIONAL DISTRICT IN
SOUTHWEST MISSOURI ARE CAUGHT IN A SEVERE FINANCIAL CRISIS
BROUGHT ON BY THE HIGH COST OF FEED AND THE LOW PRICE OF MILK
AT THE FARM LEVEL. IT IS IMPOSSIBLE FOR THEM TO MAKE A PROFIT
DUE TO THE PROLONGED COST PRICE SQUEEZE.

IF WE DO NOT GRANT THE RELIEF CONTAINED IN S. 4206. I FEAR THAT



FORM 0805 PRINTED BY THE STANDARD REGISTER COMPANY, N. S.

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MORE AND MORE DAIRY FARMERS WILL BE FORCED OUT OF BUSINESS WITH
THE AMERICAN CONSUMERS THE ULTIMATE LOSERS SHOULD MILK CEASE TO
BE AVAILABLE IN SUFFICIENT QUANTITIES.

IT IS IMPERATIVE THAT THE PARITY BILL BE SIGNED INTO LAW.
I RESPECTFULLY URGE YOU TO DO SO.

GENE TAYLOR MEMBER OF CONGRESS SEVENTH DISTRICT OF MISSOURI.

NNNN



December 24, 1974

Dear John:

This will acknowledge receipt of your telegram to the President of December 24 urging that he approve S. 4206, the Milk Price Support bill.

Please be assured that I will call your message to the President's attention without delay.

Sincerely,

Max L. Friedersdorf
Deputy Assistant
to the President

The Honorable John B. Anderson
House of Representatives
Washington, D.C. 20515

✓
cc: w/incoming to Ken Cole for further handling

MLF:VO:vo



12-24

The White House
Washington

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PMS THE PRESIDENT

WHITE HOUSE DC

I URGE YOU TO SIGN INTO LAW S 4206, TO PROVIDE PRICE
SUPPORT FOR MILK AT NOT LESS THAN 85 PERCENT OF PARITY. AS
YOU KNOW, THIS MEASURE PASSED BOTH SENATE AND HOUSE OVERWHELMINGLY.
DAIRY FARMERS IN MY DISTRICT ARE VITALL INTERESTED IN ITS PASSAGE
AS IT WILL HAVE A BENEFICIAL EFFECT ON THE INDUSTRY.

JOHN B ANDERSON MEMBER OF CONGRESS.



NNNN

U.S. GOVERNMENT PRINTING OFFICE: 1967 O - 348-000

OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

MEMORANDUM

December 24, 1974

TO: Mr. W. H. Rommel
Assistant Director
for Legislative Reference

FROM: H. C. Williams

SUBJECT: Enrolled Bills - S.4206 - H.R. 11273 - H.R.2933

(1) S.4206. The President should veto this bill. This bill would raise milk to 85% of parity (currently about \$7.69) 17 percent above the current level of support. This level, mandatory through March 31, 1976, would be adjusted at the beginning of each quarter beginning April 1, 1975. This level should greatly stimulate production, especially beginning in the last half of 1975 when feed supplies increase, and feeding of other types of livestock will have diminished resulting in more reasonable feed prices. (The immediate effect would be to place upward pressure on feed grains and feedstuffs). This would probably require increased governmental purchases of dairy products, and would also result in higher consumer prices. Pressure for tightened import restrictions would also ensue.

(2) H.R. 11273. We do not have strong views on this bill. It is our understanding that this bill would simply add noxious weeds to the materials currently covered by APHIS.

(3) H.R. 2933. The President should veto this bill. The U.S. has granted a duty concession to Turkey and the United Kingdom and bound this duty in the GATT on this product. This bill could be viewed as a new non-tariff barrier which will nullify or impair the concession granted. This could open us up to retaliation or requests for compensation.

RECEIVED
H. C. Williams
for HCW



MEMORANDUM OF DISAPPROVAL

I am withholding my approval from S. 4206, entitled "~~An~~ act to provide price support for milk at not less than 85 percentum of the parity price therefore, and for other purposes."

This bill would require an immediate increase of \$1.12 per hundredweight in the support price for milk, to a record-high \$7.69. Thereafter, through March 31, 1976, further upward adjustments would be required every three months as necessary to reflect changes in the parity index and parity price for milk.

Such large increases in milk prices to producers ~~are~~ ~~not necessary to assure adequate milk supplies and~~ ~~would~~ ~~be highly inflationary to consumers~~ ~~and unnecessary.~~ The initial increase alone would raise fluid milk prices to consumers by about 6 cents per half gallon of milk and ~~would~~ ~~require~~ ~~raising~~ ^{increasing} CCC's purchase price for cheese, and subsequently market prices, 11 or 12 cents per pound. Correspondingly large increases in the support purchase prices for butter and nonfat dry milk also would be required to carry out the higher support price for milk.

These significantly higher prices would be inconsistent with the Administration's continued and concerted efforts to combat inflation and its serious effects on the Nation's economy. Moreover, such prices would ultimately be damaging to the dairy industry and milk producers.

~~Milk consumption is on a declining trend.~~ Consumers are resisting ~~the~~ prices ~~that~~ they must now pay for milk and other dairy products. To artificially force prices still higher, as this legislation would do, would result in further declines in consumption and ~~would~~ be a strong stimulus to excess milk production.



To ~~deliberately~~ further ^{reduce} dampen the demand for milk and dairy products by the increased prices provided ~~by~~ ⁱⁿ this legislation would ~~thus~~ be detrimental to the dairy industry. A dairy farmer cannot be well served by Government action that prices his product out of the market. ~~And it~~ ^{It} also ~~would surely also be to the detriment of~~ ^{be detrimental since} the Government which ~~would~~ be required to buy the large surpluses of manufactured dairy products which this legislation would generate. ~~at a cost of over \$400 million during the life of the bill.~~ ^{This would cost taxpayers more than}

It is clearly in the best interests of producers, ^{taxpayers,} consumers, and the Government that this legislation not be signed into law.

THE WHITE HOUSE

January, 1975



Date: December 28, 1974

Time: 7:00 p.m.

FOR ACTION: Norm Ross
Max Friedersdorf
NSC/S
Phil Areeda
Paul Theis ✓ *jc 12/30/74*

cc (for information): Warren Hendriks
Jerry Jones

sh / [signature]

FROM THE STAFF SECRETARY

DUE: Date: Monday, December 30

Time: 1:00 p.m.

SUBJECT:

Enrolled Bill S. 4206 - Milk Price Support

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

1974 DEC 30 AM 8 45



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
for the President



EXECUTIVE OFFICE OF THE PRESIDENT
 OFFICE OF MANAGEMENT AND BUDGET
 WASHINGTON, D.C. 20503

To
 Mr. [Name]
 12-28-74

DEC 28 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 4206 - Milk price support
 Sponsor - Sen. Humphrey (D) Minnesota and 6 others

Last Day for Action

January 4, 1975 - Saturday

Purpose

Establishes through March 31, 1976 the support price for milk at not less than 85 percent of parity.

Agency Recommendations

Office of Management and Budget	Disapproval
Department of Agriculture	Disapproval (Memorandum of Disapproval Attached)
Department of State	Disapproval
Council of Economic Advisers	Disapproval
Office of the Special Representative for Trade Negotiations	Disapproval
Council on International Economic Policy	Disapproval (Informally)

Discussion

Under present law of temporary duration, the Department of Agriculture is required to support the price of milk at not less than 80 percent of the parity price (that price for a given amount of a farm commodity which will pay for as much in production terms, interest, taxes, etc., as the



ADJUSTMENT OF PRICE SUPPORTS FOR MILK

DECEMBER 18, 1974.—Ordered to be printed

Mr. HUMPHREY, from the Committee on Agriculture and Forestry,
submitted the following

REPORT

[To accompany S. 4206]

The Committee on Agriculture and Forestry, to which was referred the bill (S. 4206) to provide price support for milk at not less than 90 per centum of the parity price therefor, and for other purposes, having considered the same, reports favorably thereon with amendments in the nature of a substitute and recommends that the bill as amended do pass.

SHORT EXPLANATION

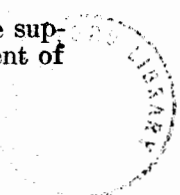
This bill would require—effective with the period beginning on the date of enactment and ending March 31, 1976—that the support price of manufacturing milk be established at not less than 85 percent of the parity price therefor.

In addition, the bill would require that the Secretary of Agriculture—beginning with the second quarter of 1975—thereafter adjust the support price for milk at the beginning of each quarter to reflect any change during the immediately preceding quarter in the index of prices paid by farmers for production items, interest, taxes, and wage rates.

The bill also provides that it is the sense of the Congress that the President take appropriate action to assure that meat and meat product imports not exceed the adjusted base for the current year pursuant to the Meat Import Act, and that import quotas of selected dairy products not exceed the levels as of June 1, 1971, as authorized by section 22 of the Agricultural Adjustment Act of 1933.

COMMITTEE AMENDMENT

Section 1 of the Committee's substitute bill provides that the support price of milk is to be established at not less than 85 percent of



parity therefor on the date of enactment, with quarterly adjustments thereafter to reflect changes in the index of prices paid by farmers for production items.

Section 2 of the substitute bill also provides that it is the sense of the Congress that the President take appropriate action to assure that meat imports not exceed the adjusted base for the current year pursuant to the Meat Import Act, and that import quotas of selected dairy products not exceed the levels as of June 1, 1971, as authorized by section 22 of the Agricultural Adjustment Act of 1933.

PURPOSE

The purpose of this legislation is to increase the support price of manufacturing milk to not less than 85 percent of the parity price of milk. In addition, it provides for quarterly adjustments of the support price to reflect any change in the index of prices paid by farmers for production items, beginning with the second quarter of 1975. This adjustment feature is critical because of the rapidly changing cost structure facing dairy farmers.

The bill further provides that there should be import limitations on competitive livestock products that materially contribute to market price declines.

Based on Agricultural Prices for November 15, 1974, issued by the United States Department of Agriculture—the latest available data—the parity price of milk was \$9.04 per hundredweight and 85 percent thereof would be \$7.68 per hundredweight.

BACKGROUND

Beginning in late 1972, the dairy industry has experienced a devastating cost-price squeeze. The milk-feed price ratio—the number of pounds of concentrate feed ration equal in value to one pound of whole milk—has gone from a five-year average prior to 1973 of 1.7 to a low of 1.1 in August, and last month it was about 1.2.

The devastating cost-price squeeze is not only threatening the viability of dairy farmers; it is endangering the future of this Nation's milk supply. Major reductions of dairy herds and cow numbers have already occurred. This has resulted in reduced milk production—down about one percent from 1973 and off four percent from 1972. If relief is not found quickly, many more herd liquidations will occur with subsequent losses in production.

In response to this problem, the Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices held hearings on September 30, 1974.

Witnesses, principally farmers, from all sections of the country, including the States of Vermont, Kentucky, Georgia, Minnesota, Iowa, Utah, New York, Kansas, and Wisconsin, were heard. Wherever they were from, the story was the same. Farm production expenses have skyrocketed while prices farmers receive for their milk have declined from recent highs.

Farmers reported on specific prices they have to pay for some of their production items involved in dairying. For example, from September 1972, one ton of 16 percent feed increased by 111 percent from

\$71.80 to \$134.25. Alfalfa seed increased from \$76 per hundredweight to \$181, an increase of 138 percent. Ammonia nitrate increased from \$59 per ton to \$199, a 222 percent increase. Phosphate has increased by 146 percent, potash by 81 percent, gasoline by 49 percent, fuel oil by 87 percent, anti-freeze by 300 percent, baling wire by 102 percent, wire fencing by 90 percent, wood posts by 238 percent, and baler twine by 282 percent. Virtually all costs have increased, and there is little likelihood that any production item prices will decline in the foreseeable future.

One Georgia dairy farmer reported that his net return for the ten-month period October 1, 1973, through July 1974 was a minus \$24,900. A special report showed that milk production costs are now averaging \$10.65 per hundredweight.

In spite of this continuous increase in prices paid, the average price of milk at the farm last month was down about three percent from November a year ago—a fall of about two cents per gallon. However, while farm prices fell, the average price consumers paid went up six percent, or nine cents per gallon.

Farmers cannot be expected to continue to produce at a loss. Unless some remedial action is taken at once, the whole Nation will suffer. We can import powdered milk and cheese, but there is no practical way to import fresh milk in quantities needed in the United States at any price.

In addition, the current level of importation of dairy products has been a major price depressing factor at the farm level, while affording no benefits to consumers. It should also be noted that many of these products have moved into the United States under subsidies of foreign governments resulting in unfair competition for this Nation's farmers and ranchers.

A healthy, viable dairy industry is essential to this Nation's economy. This legislation is necessary to assure continuous and adequate production of milk and to provide reasonable returns to producers. It is also critical that immediate action be taken. Once the herds are liquidated, it will be years before full production can again be achieved.

DEPARTMENTAL VIEWS

The Committee has received no report from the Department of Agriculture on S. 4206. However, in a letter to Senator Humphrey dated November 15, 1974, Kenneth E. Frick, Administrator of the Agricultural Stabilization and Conservation Service, stated why the Department believed the support price for milk should not be increased at that time. Mr. Frick's letter reads as follows:

U.S. DEPARTMENT OF AGRICULTURE,
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE,
Washington, D.C., November 15, 1974.

HON. HUBERT H. HUMPHREY,
U.S. Senate.

DEAR SENATOR HUMPHREY: Secretary Butz has asked us to reply to your recent letter requesting an increase in the support level for milk to 90 percent of parity.

We have carefully considered the advisability of raising the support level for milk and have concluded that it should not be increased at this time. An increase in support prices would result in higher wholesale and retail prices for milk and dairy products. We want to avoid this because of reasons made clear by developments this year.

Consumers reacted to the high retail prices last winter by sharply reducing consumption of fluid milk. This caused more milk to be used for manufacturing, and production of manufactured products increased, market prices of dairy products fell, consequently causing manufacturing milk prices received by farmers to fall.

Considerable purchases by Commodity Credit Corporation have been necessary to carry out the existing support program with support at 81 percent of parity (\$6.57 per hundredweight). Purchases so far this marketing year have totaled 31 million pounds for butter, 52 million pounds for cheese and 202 million pounds for nonfat dry milk, and purchases are continuing. An increase in the support level would require corresponding increases in CCC purchase prices of dairy products. The predictable results would be higher wholesale and retail prices, larger milk production, further discouraged consumption and larger CCC purchases.

With regard to carrying out the provisions of the legislation on the level of milk price support (Section 202 of the Agricultural Act of 1949 as amended by the 1973 Farm Act), we have always taken into account cost of production and the level of farm income necessary to maintain productive capacity to meet future needs. Evidence of this is that in most years, CCC has had to buy substantial quantities of dairy products in carrying out the program.

Milk production has increased for the last four consecutive months, and in October was 2.2 percent greater than a year earlier. An increase in the level of support would result in even more milk production. High-cost feed would be diverted from other livestock and poultry enterprises into milk production. The additional milk thus produced would be used for manufacturing dairy products for which there would be no commercial demand and would end up in government hands. Thus, the government would be in the position of purchasing scarce feed resources in the form of surplus dairy products.

Milk prices have risen seasonally, and the average price for manufacturing milk in October is more than 40 cents per hundredweight higher than the low point reached in July. We expect further increases in the months ahead.

Sincerely,

KENNETH E. FRICK,
Administrator.

COST ESTIMATE

In accordance with section 272 of the Legislative Reorganization Act of 1970, the Committee estimates that there may well be additional costs as a result of the enactment of this legislation. However, such costs will result in the acquisition of dry milk, cheese, and butter, all of which will be extremely useful in the Nation's child nutrition and other food assistance programs.

The Committee has received no cost estimates from any Federal agency.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

AGRICULTURAL ACT OF 1949

AN ACT To stabilize prices of agricultural commodities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1949."

* * * * *

TITLE II—DESIGNATED NONBASIC AGRICULTURAL COMMODITIES

SEC. 201. The Secretary is authorized and directed to make available (without regard to the provisions of title III) price support to producers for tung nuts, honey, and milk as follows:

* * * * *

(c) The price of milk shall be supported at such level not in excess of 90 per centum nor less than 75 per centum of the parity price therefor as the Secretary determines necessary in order to assure an adequate supply of pure and wholesome milk to meet current needs, reflect changes in the cost of production, and assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs. Notwithstanding the foregoing, effective for the period beginning with the date of enactment of the Agriculture and Consumer Protection Act of 1973 and ending on March 31, 1975, the price of milk shall be supported at not less than 80 per centum of the parity price therefor. Such price support shall be provided through purchases of milk and the products of milk.

(d) *Notwithstanding the foregoing provisions of this section, effective for the period beginning with the date of enactment of this subsection and ending on March 31, 1976, the support price of milk shall be established at not less than 85 per centum of the parity price therefor on the date of enactment, and the support price shall be adjusted thereafter by the Secretary at the beginning of each quarter, beginning with the second quarter of the calendar year 1975, to reflect any change during the immediately preceding quarter in the index of prices paid by farmers for production items, interest, taxes, and wage rates.*

Ninety-third Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the twenty-first day of January,
one thousand nine hundred and seventy-four*

An Act

To provide price support for milk at not less than 85 per centum of the parity price therefor, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 201 of the Agricultural Act of 1949 (7 U.S.C. 1446), as amended, is further amended by adding at the end thereof a new subsection as follows:

"(d) Notwithstanding the foregoing provisions of this section, effective for the period beginning with the date of enactment of this subsection and ending on March 31, 1976, the support price of milk shall be established at not less than 85 per centum of the parity price therefor on the date of enactment, and the support price shall be adjusted thereafter by the Secretary at the beginning of each quarter, beginning with the second quarter of the calendar year 1975, to reflect any change during the immediately preceding quarter in the index of prices paid by farmers for production items, interest, taxes, and wage rates."

SEC. 2. (a) It is the sense of the Congress that the President shall take appropriate action to limit the quantity of meat imports to an amount equal to the adjusted base quantity estimate for the current calendar year pursuant to section 2(b) of the Act of August 22, 1964.

(b) It is further the sense of Congress that the President, with the concurrence of the Secretary of Agriculture, issue a proclamation stating that import quotas on butter, butter oil, cheddar cheese, and nonfat dry milk, as authorized under section 22 of the Agricultural Adjustment Act of 1938, not be increased above the levels prevailing as of June 1, 1971.

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*

JANUARY 3, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

MEMORANDUM OF DISAPPROVAL

I am withholding my approval from S. 4206, entitled "an act to provide price support for milk at not less than 85 percentum of the parity price therefore, and for other purposes."

This bill would require an immediate increase of \$1.12 per hundredweight in the support price for milk, to a record high \$7.69. Thereafter, through March 31, 1976, further upward adjustments would be required every three months as necessary to reflect changes in the parity index and parity price for milk.

Such large increases in milk prices to producers would be highly inflationary to consumers and unnecessary. The initial increase alone would raise fluid milk prices to consumers by about 6 cents per half gallon of milk and require increasing CCC's purchase price for cheese, and subsequently market prices, 11 or 12 cents per pound. Correspondingly large increases in the support purchase prices for butter and nonfat dry milk also would be required to carry out the higher support price for milk.

These significantly higher prices would be inconsistent with the Administration's continued and concerted efforts to combat inflation and its serious effects on the Nation's economy. Moreover, such prices would ultimately be damaging to the dairy industry and milk producers.

Consumers are resisting prices they must now pay for milk and other dairy products. To artificially force prices still higher, as this legislation would do, would result in further declines in consumption and be a strong stimulus to excess milk production.

To further reduce the demand for milk and dairy products by the increased prices provided in this legislation would be detrimental to the dairy industry. A dairy farmer cannot be well served by Government action that prices his product out of the market. It also would be detrimental since the Government would be required to buy the large surpluses of manufactured dairy products which this legislation would generate. This would cost taxpayers more than \$400 million during the life of the bill.

It is clearly in the best interests of producers, consumers, taxpayers, and the Government that this legislation not be signed into law.

GERALD R. FORD



THE WHITE HOUSE,
January 3, 1975

December 24, 1974

Dear Mr. Director:

The following bills were received at the White House on December 24th:

S.J. Res. 40	S. 3481 ✓	H.R. 8958 ✓	H.R. 14600 ✓
S.J. Res. 133 ✓	S. 3548	H.R. 8981 ✓	H.R. 14689
S.J. Res. 262 ✓	S. 3934	H.R. 9182 ✓	H.R. 14718 ✓
S. 251 ✓	S. 3943	H.R. 9199 ✓	H.R. 15173 ✓
S. 356	S. 3976 ✓	H.R. 9588 ✓	H.R. 15223
S. 521 ✓	S. 4073 ✓	H.R. 9654 ✓	H.R. 15229 ✓
S. 544 ✓	S. 4206	H.R. 10212 ✓	H.R. 15322
S. 663 ✓	H.J. Res. 1178	H.R. 10701	H.R. 15977
S. 754 ✓	H.J. Res. 1180	H.R. 10710	H.R. 16045 ✓
S. 1017	H.R. 421	H.R. 10827 ✓	H.R. 16215 ✓
S. 1083	H.R. 1715 ✓	H.R. 11144	H.R. 16596
S. 1296 ✓	H.R. 1820 ✓	H.R. 11273	H.R. 16925
S. 1418 ✓	H.R. 2208 ✓	H.R. 11796	H.R. 17010
S. 2149 ✓	H.R. 2933	H.R. 11802	H.R. 17045
S. 2446 ✓	H.R. 3203 ✓	H.R. 11847 ✓	H.R. 17085
S. 2807 ✓	H.R. 3339 ✓	H.R. 11897	H.R. 17468
S. 2854 ✓	H.R. 5264	H.R. 12044 ✓	H.R. 17558 ✓
S. 2888	H.R. 5463 ✓	H.R. 12113 ✓	H.R. 17597
S. 2994 ✓	H.R. 5773	H.R. 12427 ✓	H.R. 17628 ✓
S. 3022 ✓	H.R. 7599 ✓	H.R. 12884	H.R. 17655
S. 3289 ✓	H.R. 7684 ✓	H.R. 13022 ✓	
S. 3358 ✓	H.R. 7767 ✓	H.R. 13296	
S. 3359 ✓	H.R. 8214 ✓	H.R. 13869 ✓	
S. 3394 ✓	H.R. 8322 ✓	H.R. 14449	
S. 3433 ✓	H.R. 8591 ✓	H.R. 14461 ✓	

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D. C.

